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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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|---------------------------------------|---|-------------------------------|
| ----- | x | |
| | : | |
| In re | : | Chapter 11 Case No. |
| | : | |
| LEHMAN BROTHERS HOLDINGS INC., | : | 08-13555 (JMP) |
| <i>et al.</i> | : | |
| | : | |
| Debtors. | : | (Jointly Administered) |
| | : | |
| ----- | x | |

**BARCLAYS OBJECTION TO BANK OF
NEW YORK MELLON MOTION FOR RULE 2004 EXAMINATION**

EXHIBIT B

*****Excerpts*****

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UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

Case No. 08-13555

- - - - -x

In the Matter of:

LEHMAN BROTHERS HOLDINGS, INC., et al.

Debtors.

- - - - -x

United States Bankruptcy Court

One Bowling Green

New York, New York

September 19, 2008

4:36 PM

B E F O R E:

HON. JAMES M. PECK

U.S. BANKRUPTCY JUDGE

VERITEXT REPORTING COMPANY

212-267-6868

516-608-2400

1 In addition, there was a provision in the contract
2 where Barclays was going to purchase a company called Eagle
3 Energy Management and they are no longer going to purchase that
4 entity.

5 We clarified, because a number of creditors had some
6 concerns during the -- yesterday we had a meeting with the
7 creditors and they were asked some questions regarding
8 intercompany claims. We made it very clear in this
9 clarification that we are not transferring any intercompany
10 payables or receivables. Those remain with the particular
11 entities.

12 There was a reference in the agreement to a mortgage
13 that was on the 745 Seventh Avenue property. And as it turned
14 out, Your Honor, there is no mortgage on that property. So we
15 deleted that reference. There was a 500 million dollar
16 promissory note made by 745 in favor of an affiliate which will
17 be repaid and extinguished.

18 Those are the major changes to the transaction.
19 There were some other clarifications that we made but I don't
20 consider them material, Your Honor.

21 THE COURT: I still consider 500 million dollars
22 material, though.

23 MS. FIFE: Yes.

24 THE COURT: So, the money that's due an affiliate,
25 what affiliate is that? And as a result of the payment, how

1 Barclays is also assuming the cure amounts relating
2 to contracts and leases that will be assumed pursuant to the
3 asset purchase agreement. And that has a potential exposure,
4 Your Honor, of 1.5 billion dollars that he would testify to.

5 Barclays is also paying the real estate transfer
6 taxes, which are estimated to be approximately thirty million
7 dollars.

8 Mr. McDade would testify that the financial community
9 has known that Lehman has been under stress for some time.
10 Certainly, going back to the time that Bear Sterns was bailed
11 out. Potential purchasers have known that Lehman has been
12 searching for a buyer since well before the Chapter 11 case
13 commenced. And that those ethics, those strategic alternatives
14 that were being pursued involved parts of Lehman as well as the
15 whole of Lehman. And that the notoriety attached to that did
16 not produce any interested parties other than the ones I
17 mentioned -- he mentioned.

18 During the meeting at the Federal Reserve Bank last
19 week, Bank of America, JPMorgan, Merrill Lynch and Barclays
20 were all present, showing interest in the broker-dealer assets.
21 It was clear to each party that if Lehman was unable to reach a
22 deal it would most likely have to commence cases under Chapter
23 11 of the Bankruptcy Code. That would not only have an adverse
24 impact upon their businesses but also upon the international
25 markets.

1 He would testify that since the commencement of the
2 Chapter 11 case, Lehman's senior management and its advisors
3 have not undertaken an intensive marketing of the business and
4 the assets to be sold. But instead focused on reaching an
5 agreement with the most eligible interested buyer for these
6 assets.

7 That notwithstanding the lack of a specific program
8 for marketing, the sale of Lehman's broker-dealer business has
9 been known worldwide. And, yet, he would say nobody has
10 expressed an interest to step into the shoes of -- excuse me,
11 step into the shoes of Barclays, Your Honor.

12 Lehman has not received any other interest since the
13 commencement of the Chapter 11 cases. If Lehman was approached
14 by another potential buyer that he would consider the offer,
15 provided that the company had sufficient liquidity to operate
16 the business without jeopardizing customer accounts. That has
17 not happened, Your Honor. So it is almost academic.

18 Mr. McDade would testify, Your Honor, that if the
19 sale with Barclays is consummated, customer accounts would
20 continue on a seamless, uninterrupted basis and trading would
21 continue on a normal basis, thereby maintaining the billions of
22 dollars in value.

23 At the same time, the jobs of thousands of employees
24 would be saved and will be entitled to substantial benefits
25 from Barclays in the form of compensation, bonuses and

1 here. I'd like to --

2 THE COURT: Well, Mr. Bienenstock is ahead of you.
3 So you're going to have to move to a position where you can
4 both be seen and heard.

5 Mr. Bienenstock, it's your turn.

6 MR. BIENENSTOCK: Thank you, Your Honor.

7 CROSS-EXAMINATION

8 BY MR. BIENENSTOCK:

9 Q. Good evening, Mr. McDade.

10 A. Good evening.

11 Q. My name is Martin Bienenstock, representing the Walt
12 Disney Company. Yesterday, I understand that you were at the
13 information session at Weil Gotshal?

14 A. That's correct.

15 Q. And I want to confirm some information given there.
16 Pursuant to the proposed asset purchase agreement here, the
17 businesses that are being -- the Lehman businesses being
18 transferred to Barclays are as follows: Tell me if I'm
19 incorrect, I'll read one at a time. Investment Banking?

20 A. Correct.

21 Q. Fixed Income?

22 A. Correct.

23 Q. North American Operations?

24 A. Correct.

25 Q. Credit?

1 A. Correct.

2 Q. Lending?

3 A. Correct.

4 Q. Municipal Bonds?

5 A. Yes.

6 Q. Commodities?

7 A. Correct.

8 Q. High Yield?

9 A. Yes.

10 Q. Derivatives?

11 A. Yes.

12 Q. Government Bonds?

13 A. Yes.

14 Q. Interest rates derivatives?

15 A. Yes.

16 Q. High grade credit?

17 A. Yes.

18 Q. Cash and credit derivatives?

19 A. Yes.

20 Q. Money market?

21 A. Yes.

22 Q. Commercial paper?

23 A. That's the same.

24 Q. Commercial lending?

25 A. Commercial lending, if you mean the leverage finance

1 business, yes.

2 Q. Foreign exchange trading?

3 A. Yes.

4 Q. Prime brokerage?

5 A. Yes.

6 Q. Prime services?

7 A. That's the same business.

8 Q. Sorry, I'm not familiar.

9 A. No problem.

10 Q. Cash equities?

11 A. Correct.

12 Q. Convertible bonds?

13 A. Yes.

14 Q. Long/short proprietary trading?

15 A. Yes.

16 Q. Customer options and futures?

17 A. Yes.

18 Q. Equity prime brokerage?

19 A. Yes.

20 Q. And to transfer those businesses, I take it, the one

21 necessary component is the transfer of employees to Barclay?

22 A. Absolutely.

23 Q. And how many employees did you say will be going over to

24 Barclays?

25 A. Approximately 9,000.

1 done.

2 MR. KADEN: Okay. Thank you, Your Honor.

3 MR. ELROD: Thank you, Your Honor. David Elrod on
4 behalf of TransCanada Pipelines and its affiliates. We filed a
5 limited objection and I think that it has been essentially in
6 part resolved by statements that occurred when the Court left
7 the courtroom and we had an update by counsel for the debtor on
8 what's not included in the sale. And I just wanted to make
9 that clarified on the record, Your Honor, because it hasn't
10 been confirmed yet. It's our understanding that Lehman
11 Brothers Commodity Services, Inc., Eagle Energy Partners, ULC
12 and Eagle Energy Partners I, L.P. assets are not part of this
13 transaction, this purchase agreement, and that the transaction
14 will not affect their ability to operate as an entity.

15 THE COURT: It was hours ago that I heard that but I
16 believe that to be true. Ms. Fife, is that true?

17 MS. FIFE: Yes it is, Your Honor.

18 MR. ELROD: Thank you, Your Honor.

19 THE COURT: Okay.

20 MR. ANGELICH: Good evening, Your Honor. George
21 Angelich of Arent Fox, counsel to the Vanguard Group, Inc. The
22 mutual fund so many Americans, millions of them, indeed, trust
23 their money with Vanguard. And, Your Honor, people are in a
24 panic mode in America and not acting rationally on many fronts
25 in the economy. And I think, Your Honor, the global economy

1 approved and should be approved tonight. And we should get the
2 orders entered and get the transfers done before there's any
3 other prejudice and harm. Thank you, Your Honor.

4 THE COURT: Thank you, Mr. Miller.

5 MS. GRANFIELD: Really brief, Your Honor, because I
6 won't tread over any ground that Mr. Miller just went over.
7 The importance, if Your Honor is so disposed to approve the
8 transaction of staying here, getting the order done and getting
9 it entered tonight, my client wanted me to express to you the
10 importance is really not only in terms of the operations, the
11 moving of the money, the preserving of the value for this
12 estate, but the importance in terms of staying here and get it
13 done tonight is really with respect to the employees who we've
14 already heard many times have really had a horrible week. They
15 have had a bit of hope in terms of being able to return to a
16 more business as usual. And we're really concerned if they
17 don't wake up tomorrow and see that not only has it been
18 approved but the order's been entered and we're moving forward
19 towards closing.

20 Just generally, with respect to the objections,
21 Barclays Capital cannot pay out the sums that have been put on
22 the record tonight and subject itself to collateral attack.
23 It's not doing this transaction to paint a bullseye on its back
24 for every subsidiary creditor, landlord, fund that wants to
25 figure out who's a deep pocket, oh, Barclays is doing this deal